

7/20/2022

Honorable Judge Glenn:

I am a Celsius depositor of over seven figures in Stable Coin – the equivalent of cash in a traditional bank. To express frustration and dismay regarding the fraudulent activities, ponzi scheming, corporate espionage would be an understatement. Although all true, im not sure if this is what your court is currently overseeing, I am going to demonstrate some of the unforgiveable, illegal and ultimately potentially home wrecking behavior Alex as CEO of Celsius has engaged in, in the hopes we can bring to light how we can protect and preserve assets for the depositors that make up the vast majority of the Debtors liabilities.

Throughout the last several weeks I have been heavily engaged in community discussions online and via phone with other prominent (vocal) members of the Celsius community who are trying their very best to gauge depositor sentiment and provide updates to those who feel utterly defeated and hopeless. As mentioned, I have a large portion of my savings (seven figures) tied up in Celsius, I am blessed to still have a roof over my head and can continue to make ends meet. As you have no doubt read from the myriad of letters, Many customers cannot.

The Court needs to be able to see all avenues both in and surrounding this matter. Putting aside whether venue is proper here in NY when Celsius is based and operates out of NJ and jurisdiction and venue is likely more proper in NJ. I am well aware Celsius is represented by competent counsel from Kirkland & Ellis, making this a very political matter, being their first case back in NY in several years. But their weight, and scorched earth policies, political connections, persuasions and reputation is specifically why Celsius fired previous counsel in hopes of obtaining more favorable results in this courtroom. Just and Truth is your hat to wear.

As the court is aware, tracing is an equitable remedy that allows persons to track their assets after they have been taken by FRAUD, misappropriation, or mistake. The remedy is also used in BANKRUPTCY, commercial transactions, and property disputes in marital dissolution cases. Being that all cryptocurrency is on the blockchain, and each transaction is accounted for – a depositor's funds is clearly traceable and identifiable from the time it leaves our wallets to Celsius and from there on after. This means a victim must prove that he has interest in a specific property and that he is not simply someone to whom the defendant owed a debt. Once an individual satisfies these requirements a bankruptcy court will declare that the property never belonged to the person in bankruptcy, so it does not belong to the bankruptcy trustee, who distributes the proceeds to the bankrupt's creditors. Celsius depositors are deemed secured creditors.

As per their official bankruptcy filing, Celsius has loses over a billion USD. These loses were heavily accrued prior to 2021. Following the realization that they have massively overextended, Celsius began changing their business model to accommodate this hole. They knew for nearly two years that they could not pay everyone back. Yet, hours before suspending withdrawals, Alex Mashinsky was offering incentives for new users that open accounts, constantly assuring everyone that they can access their money anytime they want and ridiculing everyone who was talking against him.

Celsius then went into a frenzy paying down their own loans to get back their collateral using customer deposits that were seized from us, the Celsius community. Celsius bought illiquid investments such as bitcoin mining rigs with our funds; doing this under yet another LLC doesn't make it any less our funds.

In early July 2022, Jason Stone, CEO of KeyFi has filed a lawsuit against Celsius Network for negligently lying to them, overexposing their balance sheet to market conditions, and along with many other accusations calling Celsius Network a Ponzi Scheme. Jason Stone was the head of DeFi lending for Celsius to generate yield.

Timothy Cradle, Director of Financial Crimes Compliance states that top executives were openly discussing how the company could use client funds to manipulate the price of CEL token (currently, an unregistered security), as well as describing a failure of risk management. According to Arkham Report and multiple validation sources, Alex Mashinsky sold \$40,000,000 USD of CEL token in 2021 alone. This happened after the company was aware there was a hole in the balance sheet. This occurred on the same exchange as Celsius (the company) itself was buying CEL tokens to pay their users rewards. Further, Alex Mashinsky gave his wife 15 million CEL tokens (at the time worth \$20,000,000) for her birthday for her to only sell it in the coming months as well. As the value of the CEL token went up, Alex Mashinsky and his wife walked away with an excess of \$60,000,000 USD while the company itself went down in flames.

Celsius was engaging in high-risk strategies without mitigating downside. This explains their loss of tens of millions of dollars though StakeHound – a startup staked Ethereum initiative. Celsius is connected to all six of the top six holders for the StakeHound Ethereum. This is verifiable and proven on the public blockchain. There are other instances as well, including Badger as well as the company claiming they don't participate in giving out unsecured loans, when they turned out to be outright lying.

The level of deception this man has shown, the sheer amount of people that he has ruined has degraded him below the threshold of a man. The company is burning roughly \$800,000 per workday while the company is shut down, users cannot withdraw any money and there is no end in sight. This can take years to resolve. These are depositors' life savings being burned away every single day that passes.

Celsius is deleting evidence of statements that Alex Mashinsky and Celsius made to customers, and is actively muzzling the voices of customers in online community spaces, such as Reddit. Here are 2 pieces of content that Celsius has deleted so far:

1. A Medium article, "Celsius Network is Nothing LikeBlockFi. Here's Why." The article was posted on March 12, 2019 and was online—and was therefore being used to lure in new customers and reassure current customers—until at least June 13, 2022. I have attached an internet archive of the article, along with evidence that it was originally posted on March 12, 2019, and that it was still online as of June 13, 2022.
2. The "Ask Me Anything" Video from June 11, 2021 on YouTube. The video is still up on Celsius' Twitter, however. I have included a printout of Celsius' tweet where this video can be watched, to preserve it in the court record, make sure it is not forgotten in this case as AMA videos are reviewed, and to hopefully ensure that Celsius does not delete it later

I believe Celsius Network did not carry out the orders of Texas, New Jersey, Kentucky and Alabama to the fullest extent which was to stop offering unregistered securities to unaccredited investors and to

protect unaccredited investors who were already participating in the Earn Account (which consisted of unregistered securities). I believe unaccredited investors in Texas, New Jersey, Kentucky and Alabama having an Earn Account should be reclassified as Custodial Account investors for purposes of bankruptcy proceedings.

I would ask that you seriously consider terminating the requested salaries and expenditures Celsius has asked the court for. Preventing them from blowing through more customer funds in their own best interests. WE are paying for all of this and it is not fair.

We ask for the immediate removal of Mr. Mashinsky as CEO of Celsius as I believe his intentions are no longer aligned with the account holders.

We are requesting the immediate selection and presence of a Celsius community committee not simply based on monetary holdings, but a sliding scale of depositors, stakeholders and shareholders.

I want to close out this letter by saying that I hope you will reduce the 120-day exclusivity period for Celsius. Although the sort of bad behavior I have outlined in this letter might suggest the need for a bankruptcy trustee or examiner to rein in Celsius' bad behavior, I do not think that is a good idea if it would result in Chapter 7 or even a predatory liquidation of our cryptocurrency for dollars under Chapter 11, such as the predatory offer that FTX recently made to Voyager customers.

Celsius needs to provide audited financials before other industry players can step up with concrete offers, for example. I urge you to order that without delay. Tracing makes such victims secured creditors in bankruptcy claims, which means by law they are the first to claim their share of a bankrupt's assets. Tracing can be invoked only if two requirements are met: victims must be able to identify their property and must show that they have a claim of restitution in kind.

Thank you.

ZK, Father of 4 children under the age of 7.